

# High Technology Sales/Use Tax Deferral

The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive. Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.

Businesses in the following research and development technology categories may be eligible for a sales/use tax deferral. To be eligible, they must start new research and development or pilot scale manufacturing operations, or expand or diversify a current operation by expanding, renovating or equipping an existing facility anywhere in Washington. The technology categories are:

- ◆ Advanced computing;
- ◆ Advanced materials;
- ◆ Biotechnology;
- ◆ Electronic device technology; and
- ◆ Environmental technology.

## REQUIREMENTS

**Applications must be filed with the Department of Revenue BEFORE construction begins or machinery and/or equipment is acquired.**

The investment project must be devoted to research and development or pilot scale manufacturing to qualify for the deferral. The investment must consist of machinery and equipment, new structures, and/or expansion or renovation to increase floor space or production capacity. The machinery and equipment may be used, but must be new to the state or business.

Qualified machinery and equipment means fixtures, equipment and support facilities that are an integral and a necessary part of pilot scale manufacturing or qualified research and development operation. This includes computers, software, data processing equipment, laboratory equipment, instrumentation, and other devices used in the process of experimentation to develop a new or improved pilot model, plant process, product, formula, invention or similar property.

Construction costs for a qualified leased building are eligible for the program, provided the benefit of the deferral is passed on to the qualified business in the form of reduced rent OR the underlying ownership of the building, machinery and equipment vests with the same person(s).



If a building is used partly for pilot scale manufacturing or qualified research, and partly for other purposes, the tax deferral will be apportioned on the basis of the cost of the area used for the qualified purposes.

## DEFERRED TAXES

Taxes are deferred under this program if the business uses the investment project for qualified research and development or pilot scale manufacturing during the year in which the investment is certified as operationally complete, and the next seven calendar years.

If the investment project is used for any other reason at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, the deferred taxes must be repaid immediately according to a prorated schedule. Interest will be assessed on the payments.

The sales or use taxes on machinery or equipment used in manufacturing that could have qualified for the Manufacturers' Sales/Use Tax Exemption at the time of purchase or first use do not have to be repaid.

## APPLICATION

A copy of the High Technology Application for Tax Deferral is provided in this publication.

Additional applications may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985). You can also have the documents faxed by calling our Fast Fax system at (360) 786-6116 and requesting code number 811013, or downloaded from our web site at: [dor.wa.gov](http://dor.wa.gov).

A project that has received any sales/use tax deferral under this or any other deferral program is not eligible for further deferral under this program. A research and development facility can get additional deferral certificates to upgrade to pilot scale manufacturing. Businesses may have more than one project that may qualify for deferral under any of these programs.

The Department of Revenue must approve or deny applications within 60 days. If approved, a Tax Deferral Certificate is issued to the business to provide to vendors and contractors at the time of purchase. If denied, the business may appeal the decision to the Department's Appeals Division.

## USE OF THE DEFERRAL CERTIFICATE

The deferral certificate allows vendors and contractors to sell to approved businesses without charging retail sales tax. Sales and use tax may be deferred on three kinds of expenditures:

1. Qualified buildings;

2. Qualified machinery and equipment; and

3. Labor and services rendered in the planning, installation and construction of the project.

The purpose of the Distressed Area Deferral program is to relieve manufacturing firms, undertaking qualified investment projects in eligible areas, of the obligation to pay tax on the retail construction services. However, it is not a comprehensive sale and use tax exemption. The deferral does not extend to prime construction contractors or subcontractors. It does not relieve contractors or subcontractors of their obligation to pay tax on the purchase or rental of tools, equipment, and supplies that are not incorporated into the final project, even though the ultimate cost of the tax is passed on to the person making the investment.

## AUDIT OF THE PROJECT

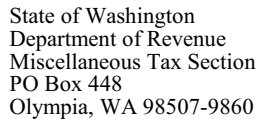
When your application is approved, a deferral certificate will be issued using the estimates from your application. Upon completion of the project, an auditor will verify that you are performing qualified activities at this facility. They will also verify that the approved percentage of your structure and 100 percent of the machinery and equipment are eligible for deferral. The auditor may adjust the allowable deferral based on his or her findings.

To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meeting with the auditor:

- ◆ Purchase invoices (i.e., accounts payable, receipts)
- ◆ Supporting documentation for the construction, such as construction contracts; and
- ◆ Original Sales and Use Tax Deferral Certificate.

Although most audits can be completed with the above records, additional documents may be required during the audit.





FOR DEPARTMENT OF REVENUE USE ONLY	
Date Received	_____
Date Approved	_____
TDC #	_____
Other	_____
	_____
	_____

# HIGH TECHNOLOGY APPLICATION FOR TAX DEFERRAL FOR LESSOR 82.63 RCW and WAC 458-20-24003

(Please submit original application **and** one copy **before** construction begins)

1. Name of lessor \_\_\_\_\_
2. Mailing Address \_\_\_\_\_
3. Name of contact person \_\_\_\_\_
4. Phone number (\_\_\_\_) \_\_\_\_\_
5. Department of Revenue Registration Number \_\_\_\_\_
6. Deferral project address \_\_\_\_\_  
Street City County
7. Date construction is to begin \_\_\_\_\_
8. Anticipated construction completion date \_\_\_\_\_
9. Total construction costs \_\_\_\_\_
10. Name of lessee's business \_\_\_\_\_
11. Are the lessor and lessee affiliated with or related to each other in some way? (For example: Is one a corporate subsidiary of the other? Are they both owned by a parent corporation or by the same group of individuals?)  
☐ Yes ☐ No
12. If the answer to question 11 is "Yes," please describe the relationship between the lessor and lessee.  
\_\_\_\_\_  
\_\_\_\_\_
13. If the answer to question 11 is "No," has the lessor agreed by written contract to pass the economic benefit of the deferral to the lessee in the form of reduced rent payments? (Please attach the pertinent portion of the lease or other contract.)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
14. Return original application **and** one copy to the Washington State Department of Revenue.

**Keep a copy of completed form for your records**

To inquire about the availability of this form in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users please call (800) 451-7985. You may also access tax information on our Internet home page at <http://dor.wa.gov>



State of Washington  
Department of Revenue  
Miscellaneous Tax Section  
PO Box 448  
Olympia, WA 98507-0448

FOR DEPARTMENT OF REVENUE  
USE ONLY

Date Received \_\_\_\_\_  
Date Approved \_\_\_\_\_  
TDC # \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_

**HIGH TECHNOLOGY APPLICATION  
FOR TAX DEFERRAL  
82.63 RCW and WAC 458-20-24003**

(Please submit original application **before** construction begins and/or  
**before** possession of machinery and equipment is taken within Washington State)

1. Name of business as registered \_\_\_\_\_
2. Mailing Address \_\_\_\_\_
3. Name of contact person \_\_\_\_\_ 4. Phone number (\_\_\_\_) \_\_\_\_\_
5. Department of Revenue Registration Number \_\_\_\_\_
6. Deferral project address \_\_\_\_\_  
Street City County
7. Technology (check boxes that apply)
- |   |  |
|---|--|
| <input type="checkbox"/> Advanced Computing       | <input type="checkbox"/> Advanced Materials            |
| <input type="checkbox"/> Biotechnology            | <input type="checkbox"/> Electronic Devices Technology |
| <input type="checkbox"/> Environmental Technology |  |

***When answering questions 8-10 please be precise. Feel free to attach extra pages if needed.***

8. Nature of pilot scale manufacturing activity \_\_\_\_\_
9. Nature of research and development activity \_\_\_\_\_  
\_\_\_\_\_
10. Other \_\_\_\_\_

***Complete applicable questions 11-15 for your project.***

11. Date construction/expansion is to begin \_\_\_\_\_
12. Date equipment is to be installed \_\_\_\_\_
13. Anticipated project completion date \_\_\_\_\_
14. Anticipated project costs (excluding cost of land):
- |  |          |
|--|----------|
| a) Construction of new structures(s)   | \$ _____ |
| b) Expansion/renovation of structures  | \$ _____ |
| c) Machinery & equipment purchase price  | \$ _____ |
| d) Total lease contract price for machinery and equipment  | \$ _____ |
| e) Fair market value of previously owned machinery and<br>equipment that is new to the state of Washington | \$ _____ |
15. **Total** (add a through e) \$ \_\_\_\_\_

16. Percentage of facility devoted to:

- a) Pilot scale manufacturing \_\_\_\_\_ %
- b) Research & development \_\_\_\_\_ %
- c) Other \_\_\_\_\_ %

17. Will this project create a new business operation? ☐ Yes ☐ No

18. If the answer to question 17 is no, what is the present true and fair value (assessed value) of the existing plant complex owned by the applicant to be expanded, modernized, or re-equipped as a result of the tax deferral project?

- a) Structure(s) \$ \_\_\_\_\_
- b) Machinery \$ \_\_\_\_\_
- c) Total \$ \_\_\_\_\_

19. Will the facility housing the operations be leased by applicant? ☐ Yes ☐ No

20. Will the new structure(s) be built by a lessor who will pass on this tax exemption benefit to a lessee? ☐ Yes ☐ No

21. Will the ownership of the newly constructed leased structure be vested in the same person as the applicant? ☐ Yes ☐ No

***If question 20 or 21 is yes, attach form REV 81 1012, "High Technology Application for Tax Deferral for Lessor."***

22. Total statewide full-time positions for this business \_\_\_\_\_

23. Total full-time positions prior to project at this site \_\_\_\_\_

24. New full-time positions to be created as a result of this project \_\_\_\_\_

25. Estimated average annual wage per employee filling new positions \_\_\_\_\_

26. Will new positions be filled by transfer of employees from within the state?  
☐ Yes ☐ No If yes, how many? \_\_\_\_\_

27. The processing of this application may require the submission of additional data, statements, and other information to the Department of Revenue in order to comply with the administrative and statutory requirements of the law.

**NOTICE:** Applications and other information received by the Department under this chapter are not confidential and are subject to disclosure. Only non-proprietary information is required on this application.

### **Keep a copy of completed form for your records**

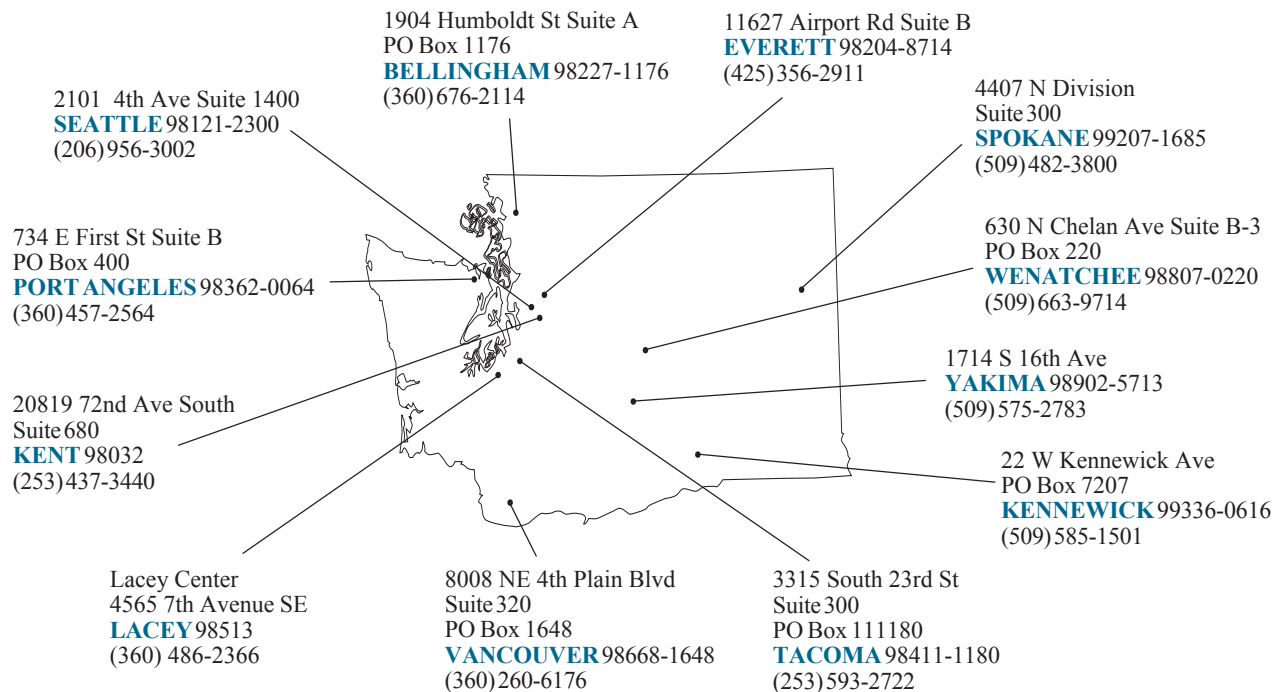
For tax assistance, visit <http://dor.wa.gov> or call (800) 647-7706. To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users may call (800) 451-7985.

# Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

## FIELD OFFICE LOCATIONS



## Telephone Information Center 1-800-647-7706

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Prepared by the Taxpayer Services Division



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